A.A. Anthony Securities Sdn. Bhd. (17812-U)

A Participation Organisation of Bursa Malaysia Securities Berhad

Website: http://www.aaasec.com.my

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Hunza Properties Berhad (5018)

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Recommendation

Trading Buy

Current Price : RM 2.38

Target Price : RM 3.96

Investment Highlights

- A well established property developer in the Northern Region with a successful track record that includes Bandar Putra Bertam, Taman Seri Bayu, Kedah and Alila in Tanjung Bungah
- Has expanded into the Klang Valley with its RM200mil Mutiara Seputeh project
- Has moved into higher end property development market which offers better margins
- One of it's upcoming projects includes the iconic Gurney Paragon
- Recent government initiatives such as the withdrawals from EPF accounts to purchase property and relaxation of FIC regulations will help boost property sales
- Strong and experienced leadership with founder Dato' Khor Teng Tong having more than 30 years of experience in the industry and being the major shareholder.

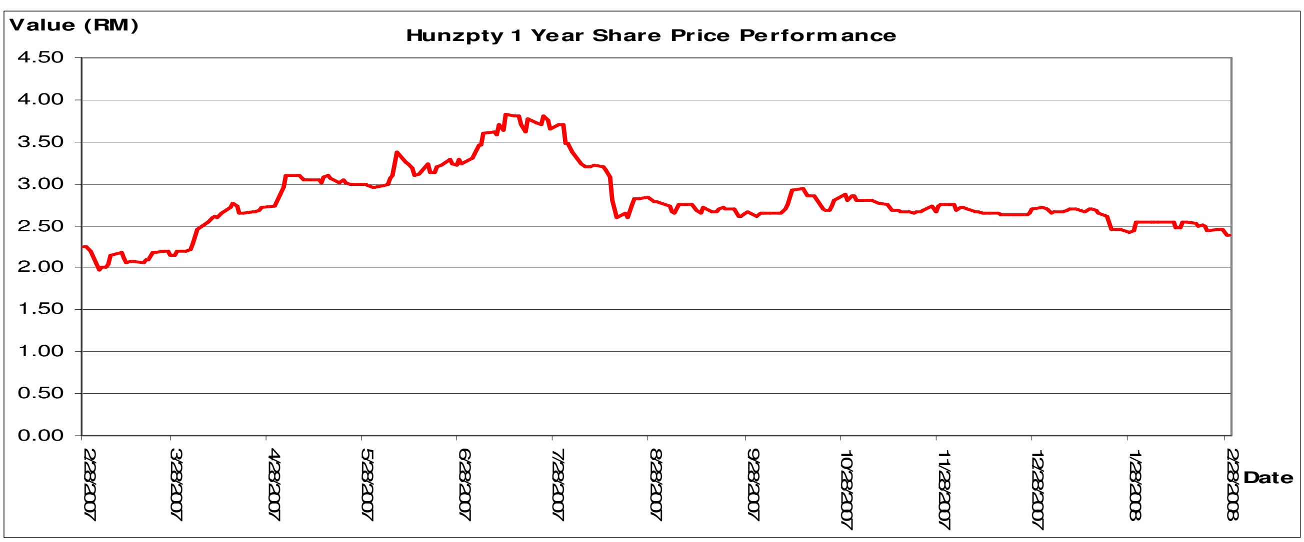
Company Background

Listing	:	Main Board	***Sector***	:	Properties
Par Value	:	RM 1.00	***Financial Year End***	:	End June
Share Issue	:	147,282,524	***Market Capitalization***	:	RM 350,532,407

Nature of Business

Hunza Properties was founded by Dato' Khor Teng Tong on 27 April 1998 and was listed on the Main Board of Bursa Malaysia Securities Berhad on 23 March 2000. Under the leadership of Dato' Khor, the Group has established itself, particularly in Northern Region of Malaysia, as a reputable developer of high rise residential units of a wide range of low to high cost apartments, high-end condominiums as well as gated communities and townships. Among the projects developed by Hunza includes the Marina Bay condominiums in Penang and the 701 acre township Bandar Putra Bertam.

Share Price Performance



	High		Low	
Prices 1 Month	2.750	(12-Feb-08)	2.360	(28-Feb-08)
Prices 3 Months	2.800	(30-Nov-07)	2.360	(28-Feb-08)
Prices 12 Months	3.880	(17-Jul-07)	1.920	(06-Mar-07)
Volume 12 Months	41,535	(05-Apr-07)	60	(31-Jan-08)

Substantial Shareholders as at 25 January 2008

	Direct %	In Direct %
Khor Teng Tong Holdings Sdn. Bhd.	30.57	13.81
Dato' Khor Teng Tong.	8.03	44.38
Yayasan Bumiputra Pulau Pinang Bhd	7.61	-
Lembaga Tabung Haji	7.11	-
Taman Nibong Tebal Sendirian Berhad	5.66	-
Hunza Usaha Sdn Bhd	5.40	-
Mandin Garden Sendirian Berhad	1.73	11.06
Khor Siang Gin	0.13	5.66

Source: Hunza Properties Berhad

Fundamental Review & Comparison

Financial Summary

Details (RM)	2Q FYE June 2008	FYE June 2007	FYE June 2006
Turnover	137,794,000	186,734,332	116,635,367
Profit Before Taxation	40,035,000	57,500,912	34,806,495
Profit After Taxation	29,187,000	42,269,029	24,949,144
Reserves	152,611,000	121,084,169	79,143,688
Shareholders Fund	314,873,000	279,928,136	213,062,033
Short-term Borrowings	21,383,000	61,634,166	39,834,245
Long-term Borrowings	131,517,000	135,219,258	119,000,000
Cash & Bank Balances	37,411,000	25,367,738	4,881,291
NTAB	2.08	1.90	1.69
EPS (Annualized)	39.64	33.49	17.36
PER (based on current price)	6.00 x	7.11 x	13.71 x
DPS	nil	12.50	7.50
Dividend Yield	nil	5.25%	3.15%

Ratio Analysis

Ratio	FYE 2Q June 2008	FYE June 2007	FYE June 2006
Profit Margin (Before Tax)	29.06 %	30.79 %	29.84%
Return on Shareholders Equity	n/a	15.10 %	11.71 %
Total Assets Turnover	n/a	0.356	0.281
Current Ratio	3.649	2.517	3.308
Gearing Ratio	0.486	0.703	0.748
Debt Ratio	0.406	0.467	0.487
Total Debt To Equity Ratio	0.683	0.876	0.950

Source: Bursa Malaysia Securities Berhad

Corporate Developments

Proposed 1 for 4 rights issue

The Group has proposed to do a 1-for-4 rights issue to raise about RM80m-100m in cash. The company is also offering a free 5-year warrant for every rights issue subscribed. The proceeds are expected to be used to fund the Gurney Paragon project and should bring down the Group's gearing level, resulting in interest savings.

2HFY08 net profits increased by 83.11%

The Group achieved revenue of RM70 million and profit before tax of RM22.5 million for current quarter. The increase of 78% and 69% respectively as compared to the preceding year's corresponding quarter are mainly driven by:

- i) Alila & Mutiara Seputeh projects recorded steadily strong take up rate of 89% and 74% todate from both foreign and local purchasers.
- ii) Physical constructions for these two projects have been progressing well with the anticipated completion with O.C. by this financial year.
- iii) Gurney Paragon and Infinity projects have started recognising profit and contributing to the Group in second quarter.
- iv) Write back of provision of diminution in Collateral Loan Obligation (CLO) Subordinated Bond of RM1.4 million.

Ongoing Projects

1) Bandar Putra Bertam, Prai

Zone L1 – Phase 2C

Phase 2C is currently being carried out spanning 5.51 acres with a gross development value of RM17million. It consists of 52 units of semi detached houses and is expected to be completed in year 2008. Out of the 52 units, 54% has been sold as at 31 January 2008.

2) Alila, Tanjung Bungah, Penang

Alila is an 18 acre project in Tanjung Bungah hillside. The project consists of two phases – Phase one and Phase two.

Phase 1 – Highrise

Phase 1 consists of 19 storey condominiums. Phase 1 commenced in 2005 and expected completion is in 2008. It has a gross development value (GDV) of RM102million. Out of the 250 units, 98% has been sold as at 31 January 2008.

Phase 2 – Lowrise

Phase 2 consists of triple storey garden villas/townhouses Phase 2 also commenced in 2005 and expected completion is also in2008. It has a gross development value (GDV) of RM103million. Out of the 162 units, it is 75% sold as at 31 January 2008.

The Group expects Alila to be one of the main revenue and earnings contributors for the financial year end as construction is expected to be completed by this financial year.

3) Mutiara Seputeh, KL

Mutiara Seputeh represents Hunza's first project in the Klang Valley. The project consists of 80 three storey semi-detached units and 13 bungalows.

Semi detached

This project commenced in 2006 and is expected to be completed in 2008. It consists of 80 units and has a gross development value (GDV) of RM153million. As of 31 January 2008, 83% has been sold.

Bungalow

This project commenced in 2007 and expected completion is in 2009. There are 13 bungalows with a gross development value (GDV) of RM47million. As of 31 January 2008, 15% has been sold.

The Group expects Mutiara Seputeh to be the other main earnings driver besides Alila for this financial year as completion of construction is also expected to be by next financial year.

4) Gurney Paragon – Phase 1

Hunza's Gurney Paragon project consists of a mixed development comprising a shopping mall, 2 blocks of high end condominiums and a heritage building spread over 10.21 acres of freehold land in Gurney Drive. The company had bought the land in 2004 for RM97million. The project is to be developed over 2 phases: condominiums then shopping mall.

i) Service condominiums

This project commenced in 2007 and is expected completion is in 2010. There are 220 units with a gross development value of RM380million. As of 31 January 2008, 46% has been sold.

ii) Retail Lots (held by Hunza)

This project also commenced in 2007 and expected completion is in 2010. The retail lots will be held by Hunza after completion as a source of recurring income.

5) Infinity, Tanjung Bungah

Infinity is a 90:10 joint venture involving 3 acres of land in Tanjung Bungah. It consists of 119 units of luxury seaview condominiums with a gross development value of RM240m. This project commenced in 2007 and is expected to be completed by 2010. As of 31 January 2008, 43% has been sold.

Future Outlook

Projects in the Pipeline

1) Gurney – Phase 2
Phase 2 of the Gurney project includes:-

i) Shopping complex/heritage building/office block
The shopping complex will offer around one million square foot of retail space. Hunza has appointed several specialists for the project which includes Cardiz International who will undertake the retail architecture of the mall and retail consultant DTZ. The project commenced this year 2008 and is expected to be completed by 2010.

ii) Car parks for shopping complex
There will be 1,900 parking bays for shoppers. Construction is expected to begin in 2008 and completed by 2010.

Total shopping mall components are estimated to have a market value of RM 800 million (based on Gurney Plaza selling price of about RM700 million – TheStar). Hunza has also offered twenty thousand square foot of area to authorities for the construction of one of the monorail stations to be positioned at Gurney Paragon which is expected to increase shopper traffic.

The Group intends to keep the shopping mall for recurring income purposes and this will effectively transform Hunza from merely a property developer into a property developer cum property investment group.

2) Alila II (Project Management)
Similar to Infinity, Alila II is another project worth RM206million in gross development value that will be carried out on a project management basis with the landowner on a 80:20 basis. This project consists of two phases to be constructed in the years 2010 to 2012.

Phase 1 – Highrise
Phase 1 consists of 260 units with a gross development value of RM156million.

Phase 2 – Lowrise
Phase 2 consists of 20 units with a gross development value of RM50million.

Bandar Putra Bertam

Zone L1 – Remaining (136 acres)
Zone L1 which has a remaining 136 acres to be developed is scheduled to be developed after 2010 and is estimated to have a GDV of RM266m.

Zone L2
150 acres on Zone L2 is scheduled to be developed during 2009 to 2012. It will consist of 2,107 units with an estimated gross development value of RM320m. The remaining 200 acres on Zone L2 is scheduled to be developed only after 2012. It will consist of 2,500 units and is estimated to have a gross development value of RM399million.

Sungai Petani – Remaining 330 acres
There is still a remaining of 330 acres of land in Sungai Petani estimated to have a gross development value of RM300million.

The overall gross development value of projects in the pipeline is estimated to be RM1.5 billion.

Valuation & Recommendation

Based on our full year FYE2008 forecasted revenue and net profit of RM275 million and RM58 million respectively, this means that the Group is just currently trading at an attractive forward PER of only 6.00x in FY08.

We accord a TRADING BUY call on this stock with a target price of RM3.96 by applying a conservative 10x PER multiple on its FY08 projected earnings. This represents a potential upside of 66% from its' current share price of RM 2.38.

Rating Key

Trading Buy	Potential upside expected to hit more than 30% over a 12 – month period
Buy	Potential upside expected to range between 10% - 30% over a 12 – month period
Neutral	Potential expected to stay between 10% and -10% over a 12 – month period
Sell	Potential downside expected to range between 10% - 30% over a 12 – month period
Trading Sell	Potential downside expected to dip more than 30% over a 12 – month period

** The target prices of shares mentioned in the accompanying text are based on the assumed investment horizon of 12-months. If company notes are published on these shares in the future, the target prices mentioned in the new notes will have priority.*

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